

11th International Strategic Management Conference 2015

Barriers to Strategic Planning Implementation; Case of: Mashhad Electricity Distribution Company

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Abstract

Organizations have learned to evaluate their performance from the viewpoint of their customers to achieve competitive advantage. However, environmental turbulence remains the main challenge for organizations to succeed, requiring more attention to emerging opportunities and threats under strategically thinking and planning. The aim of this study was to explore the barriers in implementing strategic plan at Mashhad Electric Energy Distribution Company (MEEDC). To achieve research goal, a qualitative research method was sought to collect data from a panel of experts consisting of eleven top managers of MEEDC. A semi-structured interview was utilized and performed based on snowball technique. Collected data was deliberately classified and analyzed using NVIVO software. The result ended with eight distinct groups of barriers including cultural, Structural, managerial, environmental, human resource management, and lack of effective performance measures, insufficient resources, and inadequate strategy formulation. Finally, suggestions to ease or eliminate implementation barriers were provided to MEEDC managers and decision makers.

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Peer-review under responsibility of the International Strategic Management Conference

Keywords: Strategic planning, barriers of implementation, public organization

1. Introduction

In current changing environment, without a clear strategy and permanent monitoring of the dynamic environment, which is an inevitable and integral part of the leaders' duties, survival and goal achievement appears to be extremely difficult. To assure the success in dealing with unfamiliar situations, organizations take the advantage of various managerial tools. Strategic planning is an instance of such. In other words, in order to survive or grow in the present changing business environment, organizations need more sophisticated and contemporary strategic plans. As organizations move toward strategic planning, they face different barriers. A study conducted by Fortune magazine

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revealed that 90% of the strategies were failures, and the most important cause for this is believed to be the weak implementation of the strategies (Waterman et al., 1988). Although it has been widely accepted that change is necessary for the growth of organizations, more than 70% of the change-oriented attempts which were presented as change strategies has been unsuccessful (Higgs and Rowland, 2005). In addition, Raps (2004) states that the percentage of successfully-implemented strategies ranges from 10 to 30. In this respect, for both the practitioners and academicians, it seems necessary to investigate why strategies fail to yield the pre-planned success.

This study attempts to identify the obstacles existing on the strategic plan implementation in Mashhad Electric Energy Distribution Company (MEEDC) operating in Khorasan Razavi province, northeast of Iran. The motive of this study mainly arises from the critical role of power distribution in response to increasing demand for electricity from public and private sectors, as well as various impediments that encountered at the implementation phase of the first strategic planning of the company. Therefore the aim of this study was to:

- a) Identify the main barriers towards successful implementation of strategic planning at Mashhad Electricity Distribution Company.
- b) To provide a clear picture to company's top management on the areas that needs to be closely monitored before, during, and after its implementation stage.
- c) To help managers of the company with suggestions based on the research results in dealing with recognized barriers.

2. Literature Review

One reason for the failure of the organizations' objectives suggested by numerous research work is the obstacles encountered while implementing strategies (e.g.: Okumub, 2001. Dobni, 2003. Dooley, Fryxell and Judge, 2000. Freedman, 2003. Beer and Eisenstant, 2000. Hoag, Ritschard and Cooper, 2002. Dobni, 2003. Galpin, 1998). Lihalo K. (2013), upon examining the strategy implementation in mid-size companies in Kenya, classified the hindrances into internal and external barriers. According to his classification, internal barriers include management; communication; human factors such as resistance to change, leadership, organizational structure, information systems and technology; while external barriers encompass changes to the operating environment, unanticipated competition or entrants by new players in the industry and changes in government policies.

Canhada (2011), introduces various barriers to strategic planning implementation: i) Lack of consensus, understanding and transparency regarding the meaning of the enterprise mission and vision, ii) Lack of relation between strategic content and strategic process, iii) Lack of coherence between strategic planning and resource allocation, iv) Lack of strategic feedback, v) A relatively inflexible formal structure due to IT, vi) Lack of involvement of the organization's management and using models that are inappropriate to organizational reality.

Köseoğlu (2009) found that the most important reason for the failure experienced during strategy implementation process is the organizational issues. The most commonly experienced problems concerning the organizational issues are "Incompatible organizational culture", "Competing activities among people", "Lack of adequate communication", "Lack of effective co-ordination" and "Lack of adequate information system". Alashloo, Castka and Sharp (2005) classifies the obstacles on strategy implementation into four areas. These are planning outcomes, and organizational, managerial, and individual issues.

Beer & Eisenstant (2000) see the barriers on strategy implementation as "six silent killers of strategy implementation" and explain them as follows: a top-down/laissez-faire senior management style, unclear strategic intentions and conflicting priorities, an ineffective senior management team, poor vertical communication, weak coordination across functions, business or borders, and inadequate down-the-line leadership skills development.

Corboy and O'Corrbui (1999) define the obstacles as "deadly sins of strategy implementation" and continue to explain them as follows: a lack of understanding toward how the strategy should be implemented, lack of appreciation on the side of customers and staff for the strategy, unclear individual responsibilities in the change process, lack of acknowledgement toward difficulties and obstacles recognized or acted upon, and ignoring routine business imperatives. In addition, Wessel (1993) points out many individual barriers hindering successful implementation of strategies such as too many conflicting priorities, insufficient top team functions, and a top down management style, inter-functional conflicts, poor vertical communication, and inadequate management development.

3. Methodology

3.1. Research Goal

To evaluate barriers against strategic planning implementation, we applied a qualitative and interpretive research approach with the aim of forming a holistic and in-depth understanding of the phenomenon under debate (Creswell, 2009). Face to face interview was particularly appropriate for this study since it would lead to fully-described accounts of participants' perspectives on the implementation of organizational strategies. Interviews were semi-structured, but open ended during which the participants were interviewed thoroughly based on the instructional guidelines.

3.2. Sample and Data Collection

Interview-based discussions were followed through pre-designed questions, while setting open topics for interviewees. In addition, some of the questions during interviews were left open-ended since the answers could be traced back to the questions discussed earlier. The questions were not given to the interviewees beforehand to avoid biased output of the interviews, an idea adapted from Yin (2009).

The interviews took place from January 2014 to March 2014. Apart from one exceptional case, all interviewee's agreed to allow recording of whole discussion during interview. Each interview session lasted for an average of approximately 30 minutes with a panel of experts including top managers of MEEDC through conducting in-depth face to face interviews. After conducting 11 interviews, based on snowball sampling method, data repetition was observed. To decrease the interpretation errors, the transcripts of the interviews were sent to the interviewees for review, and finalized with slight modifications. All interview transcripts were read several times to reach insight and familiarity with the content of data collected before performing data analysis using NVIVO software.

3.3. A brief introduction of MEEDC

Mashhad Electric Energy Distribution (MEEDC) Company was founded in 1937 and was the sole establishment of regional electricity company. Following 1937 restructuring, the regional power company of Khorasan province was established under Ministry of Energy, and was responsible for providing electricity to variety of public and private consumers. Since 1992, with introduction of a new structure, Khorasan Electricity distribution was re-organized and integrated with subsidiary companies to take responsibility of the whole production and distribution processes. In 2010, the first strategic plan of the company was approved to achieve certain objectives such as yearly system average interruption duration (SAIDI) of 14 minutes per served consumer, complete online services to consumers and maximum five percent energy waste in the network, under the company's 2015 vision.

4. Research findings

The focus of the study was to explore the barriers to implement strategy in MEEDC. Attempts were made to display multiple participant perspectives and indication of immensity and complexity of the subject matter, while illustrative quotations were adapted from the interview transcripts. The findings represented a thematically-organized synthesis of the views and perceptions of the 11 participants on strategy implementation. The findings of the current study were classified into eight main categories.

Table 1 barriers to implement strategic planning

Barrier	Components of barriers
Cultural barriers	Lack of belief in usefulness of the strategic planning Lack of coordination among top and lower management Lack of motivation to achieve strategic goals Inflexible organizational culture to realize the urgency of strategy implementation Bond to existing believes and reluctant to adapt new paradigms Lack of entrepreneurial belief among state-owned organizations
Structural barriers	Measures not being compatible with the existing organizational structure Unsuitable organizational structure for strategy implementation Inflexible organization structure
Human resource management barriers	No association between organizational and individual goals Lack of motivation Lack of qualified employees
Ineffective performance measures	Unknown contribution of action plans in achieving the objectives Vague criteria Criteria assessment problems Lack of software and hardware platform
Managerial barriers	Insufficient managerial authority Little belief to management as a scientific discipline insufficient managerial training Lack of strategic thinking among managers Insufficient knowledge of strategic planning Accustomed to routine tasks among managers
Inadequate strategy formulation	Lack of conformity between formulated strategy and real world factual Lack of employee participation in strategy formulation lack of performance appraisal before developing next action plans insufficient involvement of top managers at strategy formulation stage
Environmental barriers	Environmental dynamics Financial constraints imposed by main office of MEEDC Legal restrictions Rapid changes in rules and regulation
Insufficient resources	Lack of relationship between strategic plan and allocated budget

5. Results

This study reveals eight distinct groups of barriers including cultural, structural, managerial, environmental, HRM, lack of effective performance measures, insufficient resources, and inadequate strategy formulation that have prevented MEEDC to implement its strategic plan successfully.

5.1. Cultural barriers

Most respondents discussed that doubt on usefulness of strategic planning seems to be an inherent cultural component in Iranian organizations. Effective communication as suggested in literature need to be considered in changing managers attitudes towards improving their knowledge of strategic planning concept and its usefulness in dealing with increasingly changing environment. It is also important to make arrangement for pre-formulating meetings with all parties involved to communicate important and urgency of such planning before formulating team is formed. This is particularly important at implementation stage when organizational alignment plays a critical role in achievement of planning objectives.

Lack of motivation among managers to implement the strategic plan was realized as one of the factors of cultural barriers. As Maxwell et al. (1997) suggested in their study, successful implementation of strategic planning depends on senior managers' absolute commitment to what has been formulated as the path to the future of the organization.

As was pointed out in table1, the predominant organizational culture is a significant barrier to successful implementation of strategic planning. Interviewees considered involvement in dominant paradigms as a barrier since it does not allow the manager to think differently in a new atmosphere. Therefore, behaviours, decisions and solutions selected for tackling problems are affected by the existing paradigm that may not necessarily be the best practice. Lack of motivation among both managers and subordinates to achieve organizational goals and objectives mainly arises from strong cultural belief that suggests little or no rewards are given to those contributing to the success of the organization. To subvert the dominant paradigms, more effort is needed to change existing leadership style that is more or less dominated by technical nature of the organization, and pay more attention to subordinates involvement in decision making under a participative managerial style.

5.2. Structural barriers

According to the results of our study, existing inflexible organizational structure in MEEDC is a serious obstacle to implementation of its strategic plan. This is in convergence with previous studies suggesting significant relationship between the organizational structure and strategy. In spite of controversy among researchers on whether structure follows strategy or strategy is formulated in conformity with structure, importance of the relationship remains focused in strategic management context. Chandler found that a change in strategy would alter structure over time, after which strategies would experience a change, and the chain would continue henceforth.

David (2011) argues that holding unnecessary meetings and participation of large number of individuals, as well as great deal of attention toward solving conflicts and differences among departments are clear signs of inefficient organizational structure. Even though, temporary measures such as forming various committees and task forces alongside the existing structure to fill communication gaps in MEEDC may be appropriate initiatives, necessary steps need to be taken to assure existing MEEDC structure and its strategy are not in divergent.

5.3. Human resource management barriers

As indicated by majority of Interviewees, non-alignment of organizational and individual goals is an important obstacle in implementing strategic plan of the organization under study. It was further noticed that inappropriate assignment of human resources, demonstrated in form of low efficiency, lack of motivation, and to some extent high labour turnover is another barrier to adopt and get involved with implementation process of MEEDC strategic plan. David (2011) suggested that for a strategic plan to end up with success, human resource talents and abilities of organizations should be aligned with strategy implementation practices. He emphasized that a sound strategic plan is likely to fail if critical role of human resources is not properly taken into account. Therefore, successful implementation of strategy requires not only continuous support and engagement of managers, but need to be enforced by disciplined, motivated, and empowered employees to ensure expected achievement of the objectives outlined in strategic planning. It is also essential to develop an organizational climate that helps to find meaningful relationship between employees and organizational needs (Hunger and wheelen, 2007). This in turn requires a motivational plan based on deliberate system of reward- based performance measurement. The Motivational plan must assure continuous effort of all individual involved in carrying out activities necessary to achieve the objectives, particularly when organizations face challenges imposed by unforeseen environmental turbulent (Doaei and Mortazavi, 2013).

It is important to note that, implementation of strategic plan is meant to bring about outcomes that depend mainly on efforts made by human resources. Therefore on essential consideration is to seek for balance between individuals' skill and their jobs content.

5.4. Lack of effective performance measures

Lack of effective performance measures is another barrier recognized from our study at Mashhad Electric Energy Distribution Company. Respondents in our research population believed that measuring effectiveness of action plans is not always realistic due to the fact that performance standards and measurement criteria are not defined precisely making real time adjustments unfeasible. According to Kaplan and Norton (2008), inaccurate measurement tools are one of the factors responsible for the failure of strategy implementing. In fact, in the course of strategic planning implementation, planned monitoring of performance at regular intervals is vital to detect likely deviation and take appropriate corrective actions in time to prevent failure of the whole plan. Although, control mechanisms must be developed at formulation stage, it was revealed in our study that such mechanisms either neglected, or in case of

development, not properly communicated. Furthermore, operating in an extremely dynamic environment, partly arising from Iran's abnormal condition under international sanctions needed timely strategy evaluation of which MEEDC fail to perform.

5.5. Managerial barriers

Previous research works carried out in Iranian state-owned organizations show that majority of top managers are reluctant to make significant changes to avoid risk of likely unexpected poor results. They rather prefer to bond to routine activities and run their organizations in a way that average performance is usually preferred to high performance that may jeopardize their future carrier. This has been known as dominant managerial behaviour particularly with increasing environmental pressure, partly arising from imposed sanctions over nuclear dispute with western states. As the result of such attitudes, planning as an important task of top managers is either neglected or limited to short term planning, leaving organizations distant from a clear future. Therefore, managers may not have a clear vision of what their organizations will look like in a foreseeable future, and may not even have chance to learn how to face and act effectively in unusual situations. As suggested in management literature, today's organizations depend on managers who are committed to quick reaction to environmental changes to act proactive in facing opportunities and threats. Kaplan and Norton (2008) Studies illustrated that only 15% of management teams dedicate more than one hour per month to discuss strategy and strategic issues, while in current business environment, changes occur so fast that management past experiences and existing sound procedures may not work effectively to deal with. Moreover, hesitate to discuss future of the organization in terms of its planning would turn the strategic subject into the least important issue among lower managers and employees (Kaplan & Norton, 2008; Jones, 2008).

Our study shows that in Iranian organizations generally, strategic plans, in many occasions, are brought to a halt at implementation stage simply because of top management replacement. This was also recognized as an impediment towards implementation of strategic planning at Mashhad Electric Energy Distribution Company.

5.6. Inadequate strategy formulation

In the context of strategic planning, lack of employees' involvement at the stage of formulating strategies, leads to inappropriate development and is demonstrated as a serious barrier to implementation. Therefore, it is imperative to ensure that strategy developing team consists of managers and experts from different levels of the organization hierarchy. The important of different parties participation in formulating strategic planning has been emphasized in several studies throughout the world. Nutt (2007) studies on nearly 400 strategic planning projects indicate that intervention or participation tactics boost implementation dramatically, while persuasion or edict tactics are failure prone. Another study by Dooley, Fryxell and Judge (2000) examined the impact of strategic decision consensus and commitment on decision implementation rate and success. Results from a sample of 68 intact strategic decision-making teams in south eastern United States hospitals support the idea that decision consent helps establish decision commitment, which in turn positively affects implementation success. Therefore, participation of all managers and experts in formulating the strategic plan is expected to augment the chance of its implementation. This study also supports pervious researches conducted in variety of organizations around the world. Participants in our study not only emphasized on the importance of employees contribution, but also believed that strategic plans need to be in conformity with what the organization face in real world to ensure it feasible implementation.

5.7. Environmental barriers

Organizations' performance influenced by three distinct environments including: competitive, general and global. In general or remote environment, organizations are affected by variables such as economical, social, political, legal, technological and demographic. Although such variables are taken into account at the time of planning, their rapid changes continuously create new opportunities and threats that require environment scanning during implementation so that deliberate adjustments in strategies and action plans may distant organizations from threats and make possible advantage of emerging opportunities. According to the respondents in this study, strategy implementation at Mashhad Electric Energy Distribution Company has always been affected by environmental turbulence. Due to the exceptional situation in Iran for the last three decades that is influenced strongly by imposed sanctions, there was general agreement among interviewees that they have experienced much more threats than opportunities when implementing strategic planning at MEEDC. Financial constraints, legal restrictions, and rapid changes of rules and regulations,

where specifically highlighted by majority of respondents. Therefore it may be concluded that among eight main categories of barriers that was introduced in this study, environmental variables seem to be the most important barrier of strategy implementation. In fact, the remaining seven barriers discussed earlier are directly or indirectly root in general and global environments that to a great extent affected by restrictions arising from international sanctions.

5.8. *Insufficient resources*

Apart from already discussed number of the barriers encountered at the time of implementing MEEDC strategic plan, the interviews in this study consistently agreed that top management of the organization fully supported planning stage by allocation of necessary resources. However, company's budgeting system was not in complete readiness to switch from the traditional budgeting style to a more appropriate system due to structural inflexibility and technical reasons. According to research results, MEEDC budgeting department did not fully supported action plans mainly due to poor communication with relevant departments that eventually resulted in frustration at the implementing stage of the strategies developed. Kaplan and Norton (1996) believe that lack of clear communication between the budgeting system of organizations and other functional departments that are responsible for implementing strategies is one of four obstacles leading to strategic planning failure.

6. Conclusion and implication

According to the results of our study, frequent and in many cases unnecessary top management replacement in Mashhad Electric Energy Distribution, have always been a serious cause of interruption at implementation stage of the formulated strategy that needs to be resolved at company headquarters. Another shortcoming at implementation stage that was recognized in this study, mainly arises from lack of profound believe to strategic planning and strategic thinking among MEEDC managers. Therefore, it is essential for the company to ensure its top managers stay long enough in the office to support strategies implementation. Moreover, it seems significance for the company to seek for approval of its strategic plan at upper organizational hierarchy so that next managers will have commitment to its implementation.

As revealed in this study, insufficient resources remain a real challenge to execute action plans. Assuming that MEEDC managers believe in usefulness of strategic planning and committed to its implementation, budgeting system need to be shifted from existing traditional to planning and budgeting system to support objectives of the strategic planning.

Even though organizations increasingly facing more turbulence in their task and general environment, still, MEEDC organizational structure seems to be more mechanical in nature that distance it from quick responsiveness. The existing rigid structure makes it extremely difficult for the company to react in time to opportunities and threats. Restructuring attempts should lead to a more flexible organization that is capable of prompt response to environmental turbulence.

Finally, in many of Iranian public organizations, managers are so deeply involved with routine works that hardly find time to get engaged with their more important duties such as planning. Therefore, within restructuring programs, delegation of authorities, particularly for the routine works should be taken into account to give more time to managers for planning and monitoring implementation process. To assist managers at organization's hierarchy to think more strategically planned training programs in leadership and managerial skills are critical issues in giving managers deep insight into strategic planning that in turn may contribute to its implementation and timely revision.

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